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# **STATE REVOLVING FUND LOAN PROGRAM**

## **Tennessee Department of Environment and Conservation**



**Drinking Water State Revolving Fund (DWSRF)  
Public Meeting  
FY 2017 Intended Use Plan  
June 9, 2017, 10:00 AM**





# FY 2017 Intended Use Plan

- The Safe Drinking Water Act (SDWA) Amendments of 1996 established the Drinking Water State Revolving Fund (DWSRF) Loan Program.
- Section 1452(b) requires each state annually to submit an Intended Use Plan (IUP) for the funds EPA awards to the states for the DWSRF.

# FY 2017 Intended Use Plan

- The IUP explains the intended uses of the funds in the SRF and describes how those funds support the goals of the SRF.
- The IUP must be subject to public review and comment before being submitted to the EPA.
- This is the public meeting to introduce Tennessee's FY 2017 IUP for public comment.



# Major Components of the IUP

- Priority Ranking List (PRL)
- Project Funding Zone
- By-pass Procedures
- FY 2017 Capitalization Grant Requirements
- FY 2017 DWSRF Project Funding Criteria
- Financial Status of the DWSRF
- Short- and Long-term Goals
- Other Pertinent Information

# Drinking Water Priority System

The Safe Drinking Water Act (SDWA) instructs states to utilize DWSRF Loan Program funds to address risks to human health, compliance with the Act, and to assist systems most in need on a per household basis. Priority points are assigned on a 100-point scale based on the severity of the problem.



# Drinking Water Priority System

- Projects eligible for the maximum of 100 points will be those that address serious, acute risks to human health.
- Other projects will be assigned 80, 60, 40, or 20 points depending on the severity of the problem and whether a compliance problem exists.

# Drinking Water Priority System

1. Water Quality Problems
2. Source or Plant Capacity
3. Water Storage
4. Leakage Problems
5. Pressure Problems
6. Replacement or rehabilitation projects
7. Water line Extensions



# Drinking Water Priority System

- **Ineligible activities such as fire protection, economic development, or future growth will not be assigned priority points.**
- Projects that receive equal priority points will be ranked according to the Ability-to-Pay Index (ATPI) for each community with priority given to the less affluent communities with smaller populations.

# Priority List Funding Zone

- Funding letters will be mailed to each community on the priority ranking list after the EPA loan award date.
- Exceptions to the order of funding are allowed under special circumstances:

Emergency projects may be considered for funding ahead of other projects on a case-by-case basis.



# Readiness to Proceed

- Preference will be given to projects that are ready to proceed with construction.
- To the extent possible, subsidy will be awarded to projects that are ready to proceed.
- Funds will continue to be set aside for small communities and for green infrastructure projects.

# Capitalization (CAP) Grant Requirements

- Additional subsidy through Principal Forgiveness
- GREEN Project Reserve set-aside
- Davis-Bacon Act wage rate requirements
- American Iron and Steel requirement
- Reporting Requirements



# Additional Subsidy

The FY 2017 Cap Grant requires that a minimum of **20%** of the Cap Grant be used towards additional subsidy in the form of Principal Forgiveness, negative interest, or grants, or any combination of these.

# Drinking Water GREEN Project Reserve

- For the FY 2017 Cap Grant, the Green Project Reserve (GPR) is optional.
- TDEC chose to set aside 10% of project funds for Green projects.



# Davis-Bacon Act

There will be Davis-Bacon Wage Rates requirements included in projects funded in part from the 2017 Cap Grant.

# American Iron and Steel (AIS)

There will be an American Iron and Steel requirement included in projects funded in part from the 2017 Cap Grant.



# REPORTING REQUIREMENTS

TDEC is required to report to the EPA on a quarterly basis in the DWSRF Project Benefits Reporting System (PBR) the environmental benefits and other project-related information.

# FY 2017 DWSRF Funding Criteria

- Each community will be limited to one FY 2017 DWSRF Cap Grant loan.
- Total project funding will be comprised of **20%** principal forgiveness and **80%** loan.
- Each subsidized loan will be limited to **\$1.0** million.
- Term of the loan will be a maximum of 20 years



# FY 2017 DWSRF Funding Criteria

- **10%** of project funds will be set-aside for "green" projects.
- All Cap Grant funded projects will be required to comply with all current DWSRF rules, regulations, policies, and procedures as well as the Davis-Bacon Wage Rates and AIS.
- To be considered for FY 2017 DWSRF GPR funding, **not less than 20%** of the total project cost must be used towards the green component.
- If the green component cost is less than 20% of the total project cost, the total project funding will be adjusted such that the green component cost will be equal to 20% of the total project cost.

# DWSRF Financial Status - 2017

- FY2017 Cap Grant: \$8,241,000
- 20% State Match: \$1,648,200
  - 4% Administration: \$400,000
  - 2% Banked Administration Set-aside: \$166,000
  - 10% Public Water Supply Supervision : \$824,100
  - 2% Small System Technical Assistance: \$164,820
- FY 2017 Cap Grant Project Funds: \$8,334,280
- Prior year carry-over funds: \$42,965,250
- Estimated FY 2017 Loan Repayments: \$8,925,575
- Estimated FY 2017 DWSRF Interest Earnings: \$325,812
- Total DWSRF Fund: \$60,550,917



# DWSRF Long-term Goals & Objectives

- Maintain a self-sustaining revolving loan program to ensure affordable drinking water that complies with the Safe Drinking Water Act.
- Protect and enhance the water quality in Tennessee by ensuring the technical integrity of funded projects.

# DWSRF Short-term Goals & Objectives

- Maximize funds available in the DWSRF Loan Program through cooperation with the EPA.
- Manage an effective and efficient DWSRF Loan Program.
- Direct the necessary resources for Section 1452(g)(2) and 1452(k) toward Tennessee's most pressing compliance and public health protection needs.



# Financial, Managerial, & Technical Review

- TDEC is required under Section 1452(a)(3) of the SDWA to assess the financial, managerial, and technical capacity of water systems. The **Capacity Development Review (CDR)** provides the framework for this assessment.
- All loan applicants must submit the required CDR before their loan application can be recommended to the TLDA Board for approval.

# Disadvantaged Business Enterprises

- Projects must meet Disadvantaged Business Enterprise (DBE) solicitation requirements.
- The 2017 goals for DBE participation are:
  - 2.6% construction
  - 5.2 % supplies, services, and equipment



# OTHER PERTINENT INFORMATION

## **Environmental Review**

The state conducts an environmental review similar to a National Environmental Policy Act (NEPA) review as outlined in the state's approved Operating Agreement with EPA.

## **Loan Fee**

A loan fee of 8 basis points (0.08%) will be charged on the DWSRF loans.

# DRAFT Priority Ranking List

## DRINKING WATER STATE REVOLVING FUND

### FY 2017 Priority Ranking List

Total DWSRF

\$ 41,513,500

\$ 5,375,000

\*Includes 5 points for having an approved Growth Plan

Rank	Priority Points*	ATPI	Pop.	Local Government	County	Project Description	Total Project Amount	Running Total of Total Project Amount Requested (\$)	Green Component Amount	Green Component Running Total (\$)
16	45	60	98,963	Ocoee Utility District	Bradley/Polk	Waterline Replacement (Replacing approximately 32,000 LF in of 6-inch diameter waterlines in the Keith Valley Area)	\$ 1,200,000	\$ 29,690,500	\$ -	\$ 5,375,000
9	45	50	63,831	Old Knoxville Highway Water Utility District	Greene	Waterline Replacement (Replacing approximately 16,000 LF of waterlines along Hwy 11-E)	\$ 2,500,000	\$ 32,190,500	\$ -	\$ 5,375,000
12	45	60	10,156	Paris	Henry	Water Treatment Plant Improvements (Phase 2, Construction)	\$ 3,750,000	\$ 35,940,500	\$ -	\$ 5,375,000
11	45	60	10,156	Paris	Henry	Water Treatment Plant Improvements (Phase 2, Equipment purchase)	\$ 2,250,000	\$ 38,190,500	\$ -	\$ 5,375,000
7	45	40	25,841	Quebeck-Walling Utility District	White	New Water Storage Tank and Pump Station Improvements (Replace existing 50,000 gallon Water Storage Tank and upgrade the Lost Creek booster pump station)	\$ 365,000	\$ 38,555,500	\$ -	\$ 5,375,000
1	65	20	782	Saint Joseph	Lawrence	Water Treatment Plant Improvements (Replace existing sand filters with membrane filtration system)	\$ 1,500,000	\$ 40,055,500	\$ -	\$ 5,375,000
6	45	40	19,166	Smith Utility District	Smith	New Water Storage Tank (Replace existing Grant Water Storage Tank with a new 200,000 gallon WST)	\$ 933,000	\$ 40,988,500	\$ -	\$ 5,375,000
4	45	30	1,371	Troy	Obion	Waterline Replacement (Replace approximately 12,800 LF of waterlines along Pine Street, Main Street, Mary Kay Drive, Virginia Drive, Polk Street, and Wynlink-John Road)	\$ 525,000	\$ 41,513,500	\$ -	\$ 5,375,000



# Interest Rate Reference Tables

## STATE REVOLVING LOAN INTEREST RATES

As of May 22, 2017

<b>BOND BUYER</b>	
<b>20 INDEX:(BBI20)</b>	<b>3.73%</b>

### MUNICIPAL MARKET DATA GENERAL OBLIGATION (MMDGO) YIELDS:

1 YR	0.83%
5 YR	1.30%
10 YR	2.01%
15 YR	2.46%
20 YR	2.72%
25 YR	2.81%
30 YR	2.87%

### BASE RATES FOR CALCULATION X ATPI

5 YR	0.99%
10 YR	1.60%
15 YR	1.99%
20 YR	2.27%
25 YR	2.50%
30 YR	2.62%

New Interest Rates in Force:  
MMDGO USED AS MODIFIER:

ATPI		Int. Rate
10%	5 YR	0.10%
	10 YR	0.16%
	15 YR	0.20%
	20 YR	0.23%
	25 YR	0.25%
	30 YR	0.26%

20%	5 YR	0.20%
	10 YR	0.32%
	15 YR	0.40%
	20 YR	0.45%
	25 YR	0.50%
	30 YR	0.52%

30%	5 YR	0.30%
	10 YR	0.48%
	15 YR	0.60%
	20 YR	0.68%
	25 YR	0.75%
	30 YR	0.79%

ATPI		Int. Rate
60%	5 YR	0.59%
	10 YR	0.96%
	15 YR	1.19%
	20 YR	1.36%
	25 YR	1.50%
	30 YR	1.57%

70%	5 YR	0.69%
	10 YR	1.12%
	15 YR	1.39%
	20 YR	1.59%
	25 YR	1.75%
	30 YR	1.83%

80%	5 YR	0.79%
	10 YR	1.28%
	15 YR	1.59%
	20 YR	1.82%
	25 YR	2.00%
	30 YR	2.10%

# Interest Rates



For FY 2017, the SRF Loan Program will continue to recommend the **additional 0.25% rate reduction** from the rates given in the interest rate table at the time of the loan application.



# Public Review & Comment

- Today's public meeting was announced on May 8, 2017.
- Public comment on the 2017 Intended Use Plan (2017 IUP) is invited.
- The comment period ends **June 26, 2017**.
- Copies of the 2017 IUP are available at the table. Copies can also be obtained from the TDEC website:  
<http://tn.gov/environment/article/wr-srf-priority-ranking>

# Questions



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